

To: Lottery CEO's, IALS Members, Marketing Directors,
PR/Communications Directors

Public Gaming Research Institute Inc.'s

INTERNATIONAL MORNING REPORT

Your weekly supplement to
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MAKE PLANS FOR PGRI's INTERNATIONAL LOTTERY EXPO. Mark July 18-21 on your calendars for PGRI's International Lottery Expo which will be held at the fabulous Sonesta Beach Resort in Key Biscayne, FL. Hotel rooms can be reserved by calling the Sonesta at **305-361-2021**. For more information, please call PGRI at **425-803-2900** or [click here](#) to visit us at www.publicgaming.org.

TN BOARD CHOSEN. Tennessee Gov. Phil Bredesen appointed the board that will run the TN Lottery. Appointees from Nashville include Denny Bottorff, Deborah Story and Claire Tucker. Other members include: Jim Hill from Chattanooga, Marvell Mitchell and Morris Fair from Memphis, and Jim Ripley from Sevierville. The seven were chosen from the more than 50 applicants seeking the non-paying job.

RECORD YEAR IN PA, MO. The **Pennsylvania** Lottery posted record sales of \$2,132,980,838 in fiscal 2002-03, topping the old record of \$1,934,163,882, set in 2001-02, by 10.3%. The surge in sales was attributed to Powerball, which increased jackpot game sales by about \$155 million, and record-breaking instant game sales, including another successful "Tickets as Gifts" campaign during the holidays. **Missouri** Lottery sales in fiscal year 2003 also broke all previous sales records by climbing 21% higher than the previous fiscal year's sales. The fiscal year ended on June 30, and total fiscal year sales (unaudited) were \$710,016,551. The sales increase can be attributed to: high Powerball jackpots; a larger variety of Scratchers games, including \$10 Scratchers tickets; \$42 million in sales from the new Club Keno game; and successful product promotions.

ID PRESENTS BIG DIVIDEND. Preliminary sales figures for the Idaho Lottery's fiscal year ended June 30th reveal estimated sales for 2004 at \$96.7 million. That's \$4.1 million more than last fiscal year. As a result, the Idaho Lottery Commission has declared a dividend of \$20.5 million to benefit Idaho public schools and buildings. Lottery Director Roger Simmons presented a giant-size dividend check to

Governor Dirk Kempthorne on June 24, 2003, at 3 p.m. in a classroom at North Junior High School, Boise.

VT LAUNCHES POWERBALL. Vermont completed its first week of Powerball sales. As luck would have it, the first two jackpots were \$165 million and \$200 million. As a reward for consistently being a top-selling retailer, Kilburn's Convenience Store in Manchester was selected for the ceremonial first sale of a Powerball ticket. More than 600 retailers will be selling the game in Vermont. Powerball is expected to bring around \$3.2 million to the state.

WOONG THE LONESTAR. Mega Millions and Powerball continued to pitch their case to the Texas Lottery last week. One interesting question asked by the Lottery Commission was whether the state could join both multi-state games. The jury is still out on that one.

OH MULTI-STATE HOLDS UP IN COURT. An Ohio appeals court upheld a ruling allowing the state to join a multi-state game, but overturned an attempt to allow the state budget director to use the money for general budget purposes (the Lottery's profits are tagged for education).

OREGON CUTTING COSTS. The Oregon Lottery cut a lot of costs in its 2004 budget. Among other cost saving measures, staff training and recruiting was dropped to \$223,000 (down from \$750,000 in '04), and travel has been trimmed by \$112,000, down to \$327,000.

NH GOES FOR TWO. The New Hampshire Lottery has added daily draws to its Tri-State Pick Three and Pick Four games. Drawings are now held at 1pm and 7pm.

SC ADDS DRAW, KICKS-OFF CARIBBEAN. The SCEL added a midday drawing for Pick 3 and Pick 4 and a new game, Caribbean Cash, offering players a chance at \$30,000 or a vacation to the tropics. Caribbean-themed events held at various retailer and mall locations across the state helped kick off the new game that offers players a chance at one of 136 Super-Inclusive® island vacation packages to the Bahamas, Dominican Republic, Curacao or Jamaica. Each vacation prizewinner will receive six day/five nights for two at a resort, coach airfare and ground transfers to and from the designated airport. All trips must be taken before June 30, 2005. In addition, Caribbean Cash offers players a chance to be entered in second-chance drawings for one of 25 additional Super-Inclusive vacation packages for two. The SCEL is also partnering with radio stations to give away a Super-Inclusive vacation package to a Caribbean destination.

HARLEY IN TX. The Texas Lottery has launched the 2003 edition of the Texas Lottery® Harley-Davidson® Instant Game, featuring the once-in-a-lifetime opportunity to own a 100th Anniversary Harley-Davidson motorcycle. Prizes include a shot at a Harley-Davidson FLSTC Heritage Softail® Classic motorcycle

KLC HONORED. For the ninth straight year the Kentucky Lottery has achieved the highest form of recognition in the area of governmental accounting and finance reporting – the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada.

NM JOINS AMBER ALERT. The New Mexico Lottery joined the New Mexico State Police, local law enforcement agencies and the New Mexico Broadcasters Association as partners in the state's Amber Alert program. Beginning July 1, nearly 1,200 lottery retailers statewide will be notified when State Police issue an Amber Alert.

NO SMOKING IN QUEBEC. Loto-Québec has announced that, starting in the month of July, its three Casinos will be non-smoking establishments. The policy will officially take effect on Tuesday, July 1, 2003 at the Casino du Lac-Leamy, the Casino de Charlevoix, and the Hilton Lac-Leamy Hotel, and on Monday, July 21, 2003 at the Casino de Montréal. In order to accommodate smokers, a number of comfortable and readily accessible rooms equipped with high-performance ventilation systems will be made available at each Casino.

FIVE FL STATIONS TO AIR DRAWS. Starting Tuesday July 1, 2003, Florida Lottery players will be able to watch nightly drawings on five new Lottery carrier TV stations in five viewing areas in Florida. New carrier stations in Miami/Fort Lauderdale, Tampa/St. Petersburg, Jacksonville, West Palm Beach, and Tallahassee will air and display winning numbers for the Lottery's drawings of: Cash 3; Play 4; Fantasy 5; Mega Money; and Florida Lotto.

FORTUNE JOINS WLA. India's Fortune Online Lottery joined the WLA as a full-fledged member. The Lottery looks at joining the WLA as a step towards benchmarking themselves with the global leaders in lotteries.

THAI LOTTERY ON SCHEDULE. It's been reported that everything is ready for the launch of the Thai Lottery's new two- and three-digit lotteries. The new games are expected to go on sale from July 17, in time for the August 1 draw. The GLO is considering limiting payouts for the game.

ISRAEL TO TAX WINNINGS. A new Israeli tax on lottery, sports betting and commercial draws winnings is due, starting July 1st, following the government's new economic plan. The tax, 25% will be on every single winning, starting from 70,000 NIS. Lower sums will be free of the tax. The government expects to receive 100 Million NIS annually, but the lottery directors warned they fear that the new tax will, in the long run, reduce the total revenues by 35%.

COMPANY ANNOUNCEMENTS

IGT AND ACRES TO MERGE. IGT and Acres Gaming announced that the Boards of Directors of both companies have unanimously approved a definitive agreement pursuant to which Acres will merge with a subsidiary of IGT. Under the terms of the agreement, IGT will pay \$11.50 per share in an all cash transaction, representing an aggregate purchase price of approximately \$130 million on a fully diluted share basis. IGT estimates that the transaction will be neutral to slightly accretive to earnings per share on a full year basis, subject to final purchase accounting adjustments. The merger is subject to the approval of Acres' stockholders, various regulatory approvals, including Hart-Scott-Rodino and gaming regulatory approvals, and other conditions. The companies anticipate that the transaction will be completed in the fourth calendar quarter of 2003.

INTRALOT SIGNS IN SERBIA, SPONSORS TRACK MEET. A new ten-year contract has been awarded to Intralot from the state lottery organization of Serbia, NARODNA LUTRIJA, for the operation of fixed odds betting via telephony. The new agreement includes the installation of an integrated lottery phone betting system, the development of the hardware and software and the promotion and advertising of the betting via new media. Intralot's dedicated subsidiaries Yugolot and Betting Company will undertake the implementation of the technological infrastructure and the provision of all related services for the operation of the game, respectively. The remuneration of Intralot is based on a percentage of sales. Intralot was also among the supporters of the annual Super Grand Prix "Tsiklitiria" for a 4th consecutive year. The international meeting took place in the central Greek city Trikala on the 24th of June. "Tsiklitiria" is a highly successful track and field event, organized by Panellios A.C. Intralot sponsored the men's 100 meters.

SMARTPLAY ANNOUNCES SIXTH CLIENT IN INDIA. Apollo International Limited of Haryana has awarded a contract for lotto and single digit equipment to Smartplay. The firm will supply its Saturn and Gem models, which were also used to launch Playwin's multi-jurisdictional operation in India. A July installation is planned.

MD SIGNS WITH INTERLOTT. The Maryland Board of Public Works, approved a contract for the purchase of up to 300 Interlott ITVMs for use by the Maryland Lottery. Delivery of the 20- and 24-bin units is scheduled to begin in August, and upon completion will bring the Lottery's ITVM network to more than 900 Interlott machines. Statewide service and maintenance of all the Lottery-owned ITVMs for a period of five years also is included in the contract.

WINTV SUPPLIES NEW MACHINES TO INDIA. WinTV, the drawing Department of Editec SA, just supplied Dhan Dhana Dhan Infotainment, a new lottery operator in India. WinTV delivered 2 Lotto machines (Diamant and Cristal) as well as 2 number game Automized Topaze 3 machines. All together, WinTV has already supplied 7 machines to 2 lottery operators in India.

PRONTO PROVIDES VLT BASES. Quebec City based PRONTO has completed the development, manufacturing and delivery of 15,000 VLT bases for Loto-Québec's Société des Loteries Videos. PRONTO was selected to produce a highly durable and maintenance-free base made of composite materials. This new VLT base is ergonomic, aesthetic and robust. The production and delivery of the 15,000 units were successfully completed in a period of 10 months. PRONTO is presently working on new designs.

LOTTERY PEOPLE

OGT announced that **André Nadeau** has been appointed Senior Vice-President, Corporate Marketing. He will be reporting to OGT's President and Chief Executive Officer, Etienne Couëlle. Previously, Mr. Nadeau held several senior marketing management positions throughout North America with corporations such as MCI, EDS, ACCENTURE and COGNICASE.

**Submit material for next week's Morning Report by
Wednesday of this week to Toddpgr2@aol.com**